

Message Text

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73

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-10 ISO-00 EB-07 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 IO-10 PA-01 PRS-01 /137 W

----- 125628

R 211242Z MAY 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8806

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: CURRENT AND APRIL 1975 VENEZUELAN OIL PRODUCTION

REF: CARACAS 4403

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1. VENEZUELAN OIL PRODUCTION CONTINUES TO DECLINE. AVERAGE

DAILY PRODUCTION FOR 1975 THROUGH MAY 14 WAS 2,570,198 BBLs. THIS WAS 18.9 PERCENT OR 597,315 B/D LESS THAN SAME 1974 PERIOD.

2. PRODUCTION FOR APRIL 1975 AVERAGED 2,504,409 B/D. THIS

WAS 30,880 B/D BELOW MARCH, WHICH HAD REGISTERED A SIMILAR DECLINE FROM FEBRUARY. ON MAY 13, MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ REPEATED HIS PREVIOUS ANNOUNCEMENT TO THE EFFECT THAT OIL PRODUCTION WILL BE CUT TO 2.4 MILLION B/D. HOWEVER, THIS LEVEL OBVIOUSLY WAS NOT REACHED AS PLANNED BY THE END OF APRIL. SOME 70,000 B/D IS SCHEDULED TO BE SHUT IN THIS WEEK, WHICH SHOULD BRING PRODUCTION DOWN CLOSE TO THE ANNOUNCED LEVEL.

3. IN DISCUSSING THE LATEST REDUCTION, MINISTER HERNANDEZ SAID THAT VENEZUELA HAS COMMITMENTS WITH ALREADY ESTABLISHED MARKETS WHICH WILL BE RESPECTED. (READ U.S.) HE ADDED THAT THE MINISTRY BELIEVED THAT PRODUCTION SHOULD BE MAINTAINED AT THE 2.4 MILLION B/D LEVEL FOR THE REMAINDER OF 1975. THE MINISTER TOLD THE AMBASSADOR IN ALL FRANKNESS THAT THE REDUCTIONS HAVE BEEN TAKEN BECAUSE OF MARKETING DIFFICULTIES AND WITH THE FULL CONCURRENCE OF THE COMPANIES.

4. COMMENT. THE GOV HAS TAKEN NO ACTION ON REDUCING THE TAX REFERENCE VALUES FOR LOW SULFUR RESIDUAL FUEL OIL IN SPITE OF THE CONTINUED LARGE INVENTORY OF THIS PRODUCT IN THE COUNTRY. AMUAY REFINERY PRODUCTION IS REPORTEDLY DOWN ALMOST 50 PERCENT TO ABOUT 340,000 B/D THROUGHPUT BECAUSE OF LACK OF DEMAND FOR VENEZUELAN LOW SULFUR FUEL OIL. CREOLE WILL HAVE TO DECIDE SOON WHETHER TO INCREASE ITS LIFTINGS OF THIS PRODUCT WHICH IT CONTENDS IS OVERPRICED. GOV STRATEGY IS TO ATTEMPT TO HOLD THE LINE ON THE CURRENT PRICE LEVEL, BELIEVING THAT MOST OF THE STOCKS WILL BE WORKED OFF BY THE END OF SUMMER. THE IDEA IS TO TRY TO AVOID MAKING PRICE ADJUSTMENTS OUTSIDE THE FRAMEWORK OF OPEC RECOMMENDATIONS. THUS, THE GOV HOPES TO STALL A PRICE REDUCTION UNTIL SEPTEMBER WHEN THE OPEC LIMITED OFFICIAL USE

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FREEZE ENDS. A PACKAGE PRICE ADJUSTMENT AT THAT TIME, WHICH COULD BE EXPECTED TO BE GENERALLY UPWARDS, COULD INCLUDE A REDUCTION FOR LOW SULFUR OIL AS WAS DONE FOR CERTAIN PRODUCTS IN JANUARY 1975 WITH MINIMAL POLITICAL BACKLASH DOMESTICALLY. END COMMENT.
SHLAUDEMAM

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